VEOLIA ENVIRONNEMENT
Form 6-K
April 23, 2008

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 OF

THE SECURITIES EXCHANGE ACT OF 1934

For the month of April 2008

Commission File No. 001-15248

VEOLIA ENVIRONNEMENT

(Exact name of registrant as specified in its charter)

36-38, avenue Kléber, 75116 Paris, France

(Address of principal executive offices)

Indicate by check mark whether the Registrant files or will file

annual reports under cover of Form 20-F or Form 40-F

Form 20-F Form 40- F

Indicate by check mark whether the Registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes No

Indicate by check mark whether the Registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes No

Indicate by check mark whether the Registrant, by furnishing the information contained in this Form, is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934

Yes No

(If Yes is marked, indicate below the file number assigned to the Registrant in connection with Rule 12g3-2(b): 82-)

Included herein is a free translation into English of our *document de référence* (the "Reference document"), filed by us with the French *Autorité des marchés financiers* on March 31, 2008 under number D.08-172, and provided solely for the convenience of English speaking readers. This document does not include the annexes to the French version of the Reference document. Our Annual Report on Form 20-F, when filed, will contain substantially all of the information set forth in the Reference document and certain additional information not included therein. We are required to file the Annual Report on Form 20-F with the U.S. Securities and Exchange Commission by no later than June 30, 2008.

We make some forward-looking statements in the Reference document. When we use the words "aim(s)," "expect(s)," "feel(s)," "will," "may," "believe(s)," "anticipate(s)" and similar expressions in the Reference document, we are intending to identify those statements as forward-looking. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. You should not place undue reliance on these forward-looking statements, which speak only as of the date of the Reference document. In particular, from time to time in the Reference document we state our expectations in terms of revenue to be generated under new contracts recently won or awarded or from new investments made and new assets or operations acquired, though we may have not yet commenced operations under these new contracts nor begun operating these new assets and operations at the time we make these statements. These revenue estimates are based on our management's current assumptions regarding future sales volumes and prices, which are subject to a number of risks and uncertainties that may cause actual sales volumes and prices to differ materially from those projected. As a result, actual revenue recorded under these new contracts or from these new investments, assets and operations may differ materially from those set forth in the Reference document. Other than in connection with applicable securities laws, we undertake no obligation to publish revised forward-looking statements to reflect events or circumstances after the date of the Reference document or to reflect the occurrence of unanticipated events. We urge you to carefully review and consider the various disclosures we make concerning the factors that may affect our business, including the disclosures made in Chapter 4 "Risk Factors" and Chapter 9 "Examination of Financial Condition and Results".

Unless otherwise indicated, information and statistics presented in the Reference document regarding market trends and our market share relative to our competitors are based on our own research and various publicly available sources.

This is a free translation into English of Veolia Environnement s document de référence (the Reference Document), filed by Veolia Environnement with the French Autorité des marchés financiers on March 31, 2008 under number D.08-172, and is provided solely for the convenience of English-speaking readers. This document does not include the annexes to the French version of the Reference Document. Veolia Environnement s Annual Report on Form 20-F, when filed, will contain substantially all of the information set forth in this Reference Document and certain additional information not included herein. Veolia Environnement is required to file the Annual Report on Form 20-F with the U.S. Securities and Exchange Commission by no later than June 30, 2008.

2007 REFERENCE DOCUMENT

Pursuant to article 28 of European Regulation n° 809/2004, the following documents are incorporated by reference in this reference document: (i) the consolidated financial statements for the 2006 fiscal year and the corresponding statutory auditor s report, included on pages 158 et. seq. and on pages 281 and 282, respectively, of Veolia Environnement s reference document for the 2006 fiscal year, filed with the AMF on April 3, 2007 under number D.07-0264, and (ii) the consolidated financial statements for the 2005 fiscal year and the corresponding statutory auditor s report, included on pages 168 et. seq. and on pages 277 and 278, respectively, of Veolia Environnement s reference document for the 2005 fiscal year, filed with the AMF on April 6, 2006 under number D.06-0231.

This reference document was filed with the *Autorité des marchés financiers* on March 31, 2008, pursuant to Article 212-13 of its general regulations. This reference document may be used in connection with a financial transaction if supplemented by a *note d opération* approved by the *Autorité des marchés financiers*.

TABLE OF CONTENTS[1]

[1] The format of this reference document follows that set forth in Annex I of European Regulation n° 809/2004, adopted pursuant to European Directive 2003/71/EC.

CHAPTER 1
PERSONS ASSUMING RESPONSIBILITY FOR THE REFERENCE DOCUMENT

1.1

Person assuming responsibility for information contained herein

Mr. Henri PROGLIO, Chairman and Chief Executive Officer of Veolia Environnement (hereafter, the Company or Veolia Environnement).

1.2

Certification

I certify, after having taken all reasonable measures to ensure the accuracy thereof, that the information contained in this reference document is, to the best of my knowledge, true and does not omit any information that could make it misleading.

I certify that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and provide an accurate view of the financial condition and results of operation of the Company and all of the companies within its scope of consolidation, and the management report presents a faithful and accurate picture of the business, results and financial condition of the Company and the companies within its scope of consolidation, as well as the principal risks and uncertainties that they face.

I have obtained a letter (*lettre de fin de travaux*) from the statutory auditors indicating that they have verified the information relating to the Company s financial condition and the financial statements included in this document. They also confirm that they have read this document in its entirety. This letter contains no observations.

The forecasted financial information appearing in this document has been the subject of reports prepared by the statutory auditors and included in Chapter 13, paragraph 13.2.

Chairman and Chief Executive Officer

Henri PROGLIO

CHAPTER 2
PERSONS RESPONSIBLE FOR AUDITING THE FINANCIAL STATEMENTS

2.1

Principal Statutory Auditors

KPMG SA

Member of KPMG International

Commissaire aux comptes, Member of the *Compagnie régionale de Versailles*

A company represented by Messrs. Jay NIRSIMLOO and Baudouin GRITON,

1 Cours Valmy, 92923 Paris La Défense Cedex.

Appointed by the combined general shareholders meeting of May 10, 2007 to replace Salustro Reydel, for a period of 6 fiscal years, expiring at the end of the general shareholders meeting called to approve the financial statements for the fiscal year ending December 31, 2012.

ERNST & YOUNG and Others

Commissaire aux comptes, Member of the *Compagnie régionale de Versailles*

A company represented by Messrs. Jean BOUQUOT and Patrick GOUNELLE,

41, rue Ybry, 92576 Neuilly-sur-Seine Cedex.

Appointed on December 23, 1999, with a term that was renewed at the general shareholders meeting held on May 12, 2005 for a period of 6 fiscal years, expiring at the end of the general shareholders meeting called to approve the financial statements for the fiscal year ending December 31, 2010.

2.2

Deputy Statutory Auditors

Mr. Philippe MATHIS

1, cours Valmy, 92923 Paris-La-Défense Cedex

Appointed by the combined general shareholders meeting of May 10, 2007 for a period of 6 fiscal years, expiring at the end of the general shareholders meeting called to approve the financial statements for the fiscal year ending December 31, 2012.

AUDITEX

Tour Ernst & Young, Faubourg de l Arche, 92037 La Défense Cedex

Appointed on May 12, 2005, for a term of 6 fiscal years, expiring at the end of the general shareholders meeting called to approve the financial statements for the fiscal year ended December 31, 2010.

CHAPTER 3
SELECTED FINANCIAL INFORMATION[2]

Figures in accordance with IFRS standards

In millions of euros	**December 31, 2007**	**December 31, 2006**	**December 31, 2005**
Revenues from ordinary activities	32,628.2	28,620.4	25,570.4
Operating income	2,496.9	2,132.9	1,892.9
Net income attributable to equity holders of the parent	927.9	758.7	622.2
Diluted earnings per share (in euros)	2.13	**1.89	**1.56
Basic earnings per share (in euros)	2.16	**1.90	**1.57
Dividends paid	419.7	336.3	265.4
Dividend per share distributed during the fiscal year (in euros)	1.05	0.85	0.68
Total assets	46,306.9	40,123.7	36,381.0
Total current assets	17,214.0	14,956.4	13,544.5
Equity attributable to equity holders of the parent	7,612.9	4,360.8	3,790.2
Minority interest	2,577.8	2,192.6	1,888.0
Operating cash flow*	4,178.3	3,850.1	3,518.4
Recurring operating income	2,469.2	2,222.2	1,903.6
Recurring net income attributable to equity holders of the parent	933.2	762.0	630.2
Net financial debt	15,124.5	14,674.9	13,870.6

*

Operating cash flow = cash flow from continuing operations before tax and financial elements.

**

The diluted and undiluted net earnings per share were recalculated on a retrospective basis in accordance with the IAS 33 accounting standard. In both cases, the July 2007 capital increase has been taken into account.

[2] The terms included in the table (other than operating cash flow) are defined in chapter 9, §9.2.1 *infra*.

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CHAPTER 4
RISK FACTORS

4.1

Risks relating to the issuer

4.1.1

Risks relating to Veolia Environnement s activities

Veolia Environnement may suffer reduced profits or losses as a result of intense competition.

The Company s business is highly competitive and requires substantial human and capital resources. Large international competitors and local niche companies serve each of the markets in which Veolia Environnement competes. Accordingly, the Company must make constant efforts to remain competitive and convince potential clients of the quality and cost value of its service offerings. Competitors may also introduce new technology or services that the Company would have to match in order to remain competitive, which could result in significant development costs.

In addition, the Company performs a substantial portion of its business under contracts, often of a long-term nature, with governmental authorities and clients from the industrial and commercial services sectors. These contracts are often awarded through competitive bidding, at the end of which the Company may not be retained even though it may have incurred significant expenses in order to prepare the bid.

Over the course of performing certain contracts, the Company may also be requested by its public or private clients to modify the terms of these contracts, whether called for under the contract or not. These modifications may concern the services provided under the contract, related investments required or billing terms.

Finally, the Company s contracts may not be renewed at the end of their term, which in the case of important contracts may oblige the Company to undertake a costly reorganization or restructuring of assets and operations covered by the contract when the contract does not provide for the transfer of the related assets and employees to the succeeding operator and/or adequate indemnification to cover Veolia Environnement s costs of termination.

The Company s business operations in some countries may be subject to additional risks.

While the Group s operations are concentrated mainly in Europe and North America (sales generated outside of these regions represented approximately 12 % of the Group s total revenue in 2007), the Group conducts business in markets around the world. The risks associated with conducting business in some countries outside of Europe, the United States and Canada can include slower payment of invoices, which is sometimes aggravated by the absence of legal recourse for non-payment, nationalization, social, political and economic instability, increased currency exchange risk and currency repatriation restrictions, among other risks. The Company may not be able to insure or hedge against these risks. Furthermore, the Company may not be able to obtain sufficient financing for its operations in these countries. The establishment of public utility fees and their structure can depend on political decisions that may impede for several years any increase in fees that no longer allow coverage of service costs and appropriate compensation for a private operator.

The occurrence of unfavorable events or circumstances in certain countries may lead the Company to record exceptional provisions or depreciation charges in connection with its operations in these countries, which could have a material adverse effect on Veolia Environnement s results.

Changes in the prices of fuel and other commodities may reduce the Company s profits.

The prices of the Company s supplies of fuel and other commodities, which represent significant operating expenses for its businesses, are subject to marked fluctuations. Although most of the Company s contracts contain tariff adjustment provisions that are intended to reflect possible variations in prices of the Company s supplies using certain pricing formulas, such as price index formulas, there may be developments that could prevent the Company from being fully protected against such increases, such as delays between fuel price increases and the time the Company is allowed to raise its prices to cover the additional costs (including taxes) or the Company s failure to update an outdated cost structure formula. In addition, a sustained increase in supply costs and/or related taxes beyond the price levels provided for under the Company s adjustment clauses could reduce the Company s profitability to the extent that it is not able to increase its prices sufficiently to cover such additional costs (*see* Section 6.2.7 *infra*).

The Company has conducted and may continue to conduct acquisitions, the impact of which could be less favorable for its activities and results than anticipated, or which could affect its financial situation.

As part of its business strategy, the Company has conducted and continues to carry out acquisitions of varying sizes, some of which are significant at the Group level. These acquisitions involve numerous risks, including the following: (i) the assumptions used in the underlying business plans may not prove to be accurate, in particular with respect to synergies and expected commercial demand; (ii) the Company may not integrate acquired businesses, technologies, products, personnel and operations effectively; (iii) the Company may fail to retain key employees, customers and suppliers of the companies acquired; (iv) the Company may be required or wish to terminate pre-existing contractual relationships, which could be costly and/or on unfavorable terms; and (v) the Company may increase its indebtedness to finance these acquisitions. As a result, it is possible that the expected benefits of completed or future acquisitions may not materialize within the time periods or to the extent anticipated, or affect the Company s financial condition.

The Group s business is affected by variations in weather conditions

Certain of the Company's businesses are subject to seasonal variations. Dalkia realizes the bulk of its operating results in the first and fourth quarters of the year, corresponding to periods in which heating is used in Europe. In the water sector, household water consumption tends to be higher between May and September in the northern hemisphere. Accordingly, these two businesses may be affected by significant deviations from seasonal weather norms. This risk is offset in certain cases, first by the variable compensation terms included in contracts, and second by the geographical distribution of the Group s businesses. The impact of weather conditions, together with the seasonal nature of the Group s businesses, may affect the Company s results.

The Group s operations are subject to geopolitical, criminal and terrorist risks.

Water is a strategic resource in terms of public health. Accordingly, the Group s activities must comply with laws and regulations that seek to safeguard water resources, production sites and treatment facilities against criminal or terrorist acts. The Company s activities in the areas of waste management, energy services and public transportation are also subject to similar risks. The Company may also have employees who work or travel in areas where the risk of criminal acts, kidnapping or terrorism is either temporarily or permanently elevated. As a result, despite the safety measures that the Company has attempted to implement, any one of its activities may fall victim to criminal or terrorist acts in the future. If an attack were to occur, it could negatively affect the Company s image and have a material adverse effect on its results.

4.1.2

Legal and contractual risks

The Company s long-term contracts may limit its capacity to quickly and effectively react to unfavorable general economic changes.

The initial circumstances or conditions under which the Company enters into a contract may change over time, which may result in adverse economic consequences. Such changes vary in nature and foreseeability. Certain contractual mechanisms may help in addressing the changes and restoring the intial balance of the contract. Their implementation may be triggered more or less automatically by the occurrence of a given event (price adjustment clauses for instance), or they may require a contract revision or amendment procedure requiring the agreement of both parties or of a third party. In any case, however, the Company s actions must remain within the scope of the contract and it cannot terminate unilaterally and suddenly a business that it believes to be unprofitable, or change its features. The Company s compensation, whether it consists of a price paid by the client or a fee levied from end users based on an agreed-upon schedule, may not be changed at any time in line with changes in the Company s costs and demand. These constraints have an impact on the Company s behavior as an economic agent, and are particularly meaningful because its contracts are often entered into for long periods of time.

The rights of governmental authorities to unilaterally terminate or modify the Company s contracts could have a negative impact on its revenue and profits.

Contracts with governmental authorities make up a significant percentage of the Company s revenue. In numerous countries, including France, governmental authorities may modify or terminate contracts under certain circumstances, unilaterally but generally with indemnification. In other cases, however, the Company may not be entitled to or be able to obtain full indemnification in the event its contracts are terminated by governmental counterparties.

The Company may make significant investments in projects without being able to obtain required approvals.

To engage in business, Veolia Environnement must in most cases obtain a contract and sometimes obtain, or renew, various permits and authorizations from regulatory authorities. The competition and/or negotiation process that must be followed in order to obtain such contracts is often long, costly, complex and hard to predict. The same applies to the authorization process for activities that may harm the environment which are often preceded by increasingly complex studies and public investigations. The Company may invest significant resources in a project or public tender without obtaining the right to engage in the desired business nor sufficient compensation or indemnities to cover the cost of its investments, for instance as a result of a failure to obtain necessary permits or authorizations, or approvals from antitrust authorities, or because authorizations are subject to conditions that force the Company to abandon certain of its development projects. These situations increase the overall cost of the Company s activities. In addition, if the Company does not obtain the desired business or is forced to withdraw from a public tender, its business may not grow as much or as profitably as it hopes.

4.1.3

Environmental and health risks

The Company incurs significant costs of compliance with various environmental, health and safety laws and regulations.

The Company has made and will continue to make significant capital and other expenditures to comply with its environmental, health and safety obligations as well as to manage the health protection of the services it provides. The Company is continuously required to incur expenditures to ensure that the installations that it operates comply with applicable legal, regulatory and administrative requirements (see §6.3.1 *infra*), including general precautionary or preventative measures, or to advise its clients so that they undertake the necessary actions for the compliance of their installations.

The costs related to these preventative measures are recorded as either operating expenses or as industrial investments. Industrial investments in all areas totaled €2,642 million in 2007 (compared to €2,197 million in 2006).

Each of the Company's operations, moreover, may become subject to stricter general or specific laws and regulations, and correspondingly greater compliance expenditures, in the future. If the Company is unable to recover these expenditures through higher tariffs, this could adversely affect its operations and profitability. Moreover, the scope of application of environmental, health, safety and other laws and regulations is becoming increasingly broad. These laws and regulations now govern any discharge in a natural environment, the collection, transport, treatment and disposal of all types of waste, the rehabilitation of old sites at the end of operations, as well as ongoing operations at new or old facilities.

The Company s operations and activities may cause it to incur liability or other damages that it might be required to compensate.

The increasingly broad laws and regulations under which the Company operates, exposes it to higher risk of liability, in particular environmental liability, including in connection with assets that Veolia Environnement no longer owns and activities that have been discontinued. For example, a French law dated July 30, 2003, relating to the prevention of technological and environmental risks and the conduct of remediation activities, has strengthened the regulatory framework that applies to discontinued operations and closed sites and installations, which requires, in some instances, that reserves be established in respect of such discontinued operations. In addition, the Company may be required to pay fines, repair damage or undertake improvement works, even when it has conducted its activities with care and in total conformity with operating permits. Regulatory authorities may also require Veolia Environnement to conduct investigations and undertake remedial activities, curtail operations or close facilities temporarily in connection with applicable laws and regulations, including to prevent imminent damage or in light of expected changes in those laws and regulations.

In addition, the Company often operates installations that do not belong to it, and therefore does not always have the power to make the investment decisions required to bring these installations into compliance with new regulatory norms. In instances where the client on whose behalf these installations are operated refuses to make the required investments, the Company may be forced to terminate its operations.

In the event of an accident or other incident, the Company could also become subject to claims for personal injury, property damage or damage to the environment (including natural resources). These potential liabilities may not always be covered by insurance, or may be only partially covered. The obligation to compensate for such damages might have a material adverse effect on the Company s activities, its resources, or its profitablity. Accordingly, the Group pays great attention to controlling sanitary risks, both those present in its installations and those in the form of environmental pollution which conventional treatment methods cannot fully treat. In particular, the Group s subsidiaries continuously strive to manage the risk of legionella at certain sensitive sites (including cooling towers, air-conditioning networks and sanitary hot water networks) as well as, for example, human exposure to chemical products.

Specific measures are required in connection with technological risks.

The Company s subsidiaries may, as part of their outsourcing contracts, be involved in the operation of top tier Seveso sites (AS classification under the ICPE category Installations Classified for the Protection of the Environment) or lower tier sites (or the foreign equivalent) for industrial clients (particularly petroleum or chemical industry sites). In these instances, the Group must handle the provision of services with even greater care, given the more dangerous nature of the products, waste, effluents and emissions to be treated, as well as the close proximity of installations managed by the Group to client sites.

The regulatory regime governing Seveso facilities applies only within the European Union, but the Group operates several similar sites outside of this region that are often subject to the same level of heightened regulation by foreign governments.

Among the facilities that Veolia Environnement owns and operates in France, one has been categorized a lower tier Seveso facility (not classified as AS under ICPE nomenclature). It is a hazardous waste incineration facility operated by SARP Industries (Veolia Propreté) at Limay (Yvelines). The manipulation of waste and hazardous products in this facility can, in the case of an accident, cause serious damage to the environment, inhabitants or employees, exposing the Company to potentially substantial liabilities.

4.1.4

Risks related to financial markets

Currency exchange and interest rate fluctuations

Veolia Environnement holds assets, earns income and incurs expenses and liabilities in a variety of currencies. The Group s financial statements are presented in euro. Therefore, when it prepares its financial statements, it must translate its assets, liabilities, income and expenses in other currencies into euro at then-applicable exchange rates. Consequently, increases and decreases in the value of the euro in respect of these other currencies can affect the value of these items in its financial statements, even if their value has not changed in their original currency. For example, an increase in the value of the euro may result in a decline in the reported value, in euro, of the Company s interests held in foreign currencies.

At the end of 2007, the Company s net financial debt excluding the fair value of hedging instruments amounted to €15,125 million, of which 26% was subject to variable rates and 74% to fixed rates, including 9% subject to variable rates with caps. The Company’s results of operations and financial condition may be affected by changes in prevailing market rates of interest (see Chapter 20, §20.1, note 30 to the consolidated financial statements). Fluctuations in interest rates may also impact the Company s future growth and investment strategy since a rise in interest rates may force Veolia Environnement to finance acquisitions or investments or refinance existing debt at a higher cost in the future.

For a description of the management of market-related financial risks faced by the Group (interest rate risk, foreign currency risk, equity risk, counterparty risk and liquidity risk), see also paragraph 4.2.2.4 below and Chapter 20, paragraph 20.1, note 30 to the consolidated financial statements.

4.2

Risk Management

4.2.1

Implementation of a coordinated policy for risk management

Veolia Environnement s ability to build long-lasting relationships with its customers is based on its capacity to manage risks on behalf of its customers. By implementing a coordinated risk prevention and risk management system, the

Group addresses this element of fundamental importance for its development.

In order to strengthen its ability to anticipate, analyze and weigh various risks and ensure the development of an adequate policy for managing risks, the Group created a risk department at the end of 2004.

The goals of the risk management department are to ensure that the following actions are carried out within the Group to manage risks:

Identify and anticipate: ensure the ongoing oversight of the Group s risks in order to guarantee that none of them are overlooked or underestimated, and also to anticipate changes in the nature or intensity of the risks;

Organize: ensure that the principal identitifed risks are addressed by the organization at the most appropriate level within the Group. Numerous operational risks are managed at the subsidiary level; others, which require a particular expertise or are of an essentially horizontal or strategic nature, are handled at the divisional and/or Veolia Environnement level.

Monitor: ensure that the organizations and methods that have been set up are effective for the reduction of the risks that have been identified.

Inform: the implementation of a coordinated risk management scheme is an important factor in corporate decision-making. Management of the Company s risks enhances the Group s development and the predictability of its results.

The risk department is responsible for ensuring the consistency of the overall risk management process throughout the Group through a process of identifying events that may prevent the Group from reaching its objectives. The risk department helps define corrective action plans and manages the process as a whole. It also oversees the implementation of rules of conduct that will create an internal environment that is both consistent with and favorable to a mastery of risks.

As part of the internal audit department s undertakings in connection with the Sarbanes-Oxley Act of 2002 (see §4.3.3 *infra*), a mapping of major risks was performed in 2006 at the Group and division levels. The Group now has a detailed analysis of risks and a ranking of the principal risks and a true management tool whose objective it is to build growth and improve the forecasting of the Group s development and results.

After having assembled a list of standard risks and a risk management standard (*référentiel*) tied to other established benchmarks, a detailed listing and evaluation of Group risks was conducted through interviews with approximately 150 high level managers (process pilots) of the Group. This evaluation, which was conducted at each division, was completed with a uniform methodology aiming to analyze gross risk, control levels in place and residual risks.

The risks that were identified by process pilots were grouped together, analyzed and ranked in order to identify the principal risks. Each risk was assigned risk pilots who were responsible for the design and implementation of action plans in coordination with risk managers from the divisions and from Veolia Environnement.

The principal issues identified were:

Development control. Dynamics within Veolia Environnement s markets require the company to be selective in choosing projects and investments. In addition, the integration of new contracts into the Group s policies and practices requires a high level of rigor.

The constant reinforcement of Veolia Environnement s distinctive strengths. Veolia Environnement occupies a unique position in its market, based on technical expertise (resulting from its teams experience and the strength of its research and development), on its sense of service and its organization, and on its legal, financial, and labor relations expertise. Maintaining these essential strengths is a major area of focus. For this reason, in September 2006 the Company s Board of Directors formed a strategic committee for research, innovation and sustainable development in order to continue to improve these strengths (see Section 16.2.1.3 infra). This is also the reason why the company has engaged in knowledge management actions to ensure that all Veolia Environnement clients can profit from these areas of expertise.

Internal control of all sorts, especially financial and operational, is also essential. Veolia Environnement s continuing objective is to maintain a balance between the decentralization that is necessary for its service activities, the best operational and financial controls, and the spreading of expertise and best practices. Accordingly, an overhaul of the financial reporting system has been conducted and training programs have been expanded.

Environmental and health concerns are central concerns for the company. Veolia Environnement is committed to providing full professional guarantees regarding the quality of the products it distributes and the services it offers, including with respect to environmental norms (especially with regards to air emissions and legionella concentrations) and security. In order to strengthen environmental risk management, the Group has enacted, in coordination with its four divisions, an Environmental Management System (EMS) based on the requirements of ISO norm 14001 with a view to continually improving its environmental performance (see §4.2.2.3 infra). In order to optimize its sanitary risk management, the Group also conducts voluntary prevention and monitoring actions under a global sanitation approach, in particular in the context of multi-service offerings (which include the conduct of internal and external identification audits and industrial risk prevention, and negotiation of specific insurance guarantees).

The risk management strategy has had the following preliminary results:

a global and structured vision of risks faced by the Group;

as a result of significant involvement in this project, a trend towards a pooling of practices and experiences between and among divisions and Veolia Environnement;

an established organization to capitalize on current risk management mechanisms (for example relating to financial, legal, insurance and environmental risk management) and to deploy action plans and related controls;

the strengthening of the Company s controls over horizontal risks;

the restructuring and deployment of insurance programs of the Group to strengthen its development, taking into account the knowledge of the risks, protecting assets and the reputation of the Group and finally improving the competitiveness of programs (simplification, improvement of coverage and outside premiums and comparable conditions);

the structuring of an annual internal audit program based on a mapping of major risks faced by the Group.

In addition to the major mapping of risks, a steering organization was put in place, enabling the Group to strengthen its management of major risks, while favoring common initiatives among the divisions. The conduct of committee meetings, the agendas of which were organized based on the priorities identified in the risk mapping, enabled the launching of horizontal projects and the global coordination of risk management at the Group level. This project is conducted in close collaboration between the Company and its divisions. This convergence of tools and practices, implemented by the risk management professionals, will enable the implementation of effective reporting methods and will create the necessary conditions for the review of the mapping process.

The Group s risk committee, chaired by Veolia Environnement s senior executive vice-president, met four times in 2007. In accordance with its work program, the risk committee studied the implementation of specific action plans to address significant operational risks, such as the reliability and security of informational systems, emergency communications within the Group, the integration and management of human skills within the Group, the plans for business continuity, and the detection and prevention of fraud. Following Veolia Environnement s example, each of the divisions has, since the end of 2006, formed its own risk committee to improve its management and control of operational risks and follow through with the deployment of the action plans.

By firmly grounding itself in corporate processes and systematically taking into account the fundamental stakes within the organization, whether operational, legal, regulatory or governance-related, risk management fits within Veolia Environnement s system aimed at continually improving the company s global risk management infrastructure.

A review and analysis of the action plans implemented to manage or reduce risks is being performed within the divisions and the Company. This preliminary step has already enabled the prioritization of actions intended to improve the identification and thus the control of operational, commercial and financial risks.

4.2.2

Continuation and strengthening of targeted actions

4.2.2.1

Employee safety

The labor-intensive requirements of the Goup s businesses, their nature, the wide dispersion of Veolia Environnement s employees on the ground (in particular on public roads and at customers sites), and civil interest make the management of employee safety particularly important. For that reason, in September 2007 the executive committee declared 2008 as Veolia Environnement World Safety Year .

The director of human resources is responsible for this project, which is at the heart of the Veolia Environnement s corporate policies: *i.e.*, to promote the Group s actions with regard to the prevention of professional health, and security risks.

A working group including experts from the divisions and from Veolia Environnement s safety and health departments, as well as representatives of other departments within the Group, was created to formulate a proposal for an action plan that would be submitted to the Group s executive committee for approval of the goals and timetable.

4.2.2.2

Management of legal risks

Veolia Environnement places great importance on the management of legal risks given the nature of its business, environmental services, an area that has been subject to increasingly complex regulation.

The nature of Veolia Environnement s activities (management of local public services with operations in more than 70 countries and relationships with a variety of representatives and counterparties) has led Veolia Environnement to adopt legal compliance rules to guide Veolia Environnement s employees in their activities and in the preparation of legal documents and to ensure compliance with such rules. In particular, these rules cover litigation and large operating contract reporting, competition law, ethics, standard contractual clauses, sponsorship and patronage and commercial intermediaries. The rules also cover the Group s legal structure, delegation of powers and follow-up, and selection of directors.

As a company with shares listed on Eurolist by NYSE Euronext Paris and on the New York Stock Exchange, Veolia Environnement must also adhere to certain rules relating to:

Publications: Veolia Environnement has a disclosure committee whose role it is to supervise and verify the collection and dissemination of information included in the Company s French *document de reference* and U.S. Form 20-F (see §16.2.2.1 *infra*).